

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)	
of Humboldt Transit Company, a)	
Corporation, for an Order re-)	Application No. 3876.
adjusting its Passenger Fares in)	
the City of Eureka, County of)	
Humboldt.)	

Connick & Kehoe and J. F. Coonan, for Applicant.

J. J. Cairns, for City of Eureka.

LOVELAND, COMMISSIONER:

O P I N I O N

The Humboldt Transit Company by this Application seeks authority to increase street car fares in the City of Eureka. No specific rates are set forth in the application, but the prayer is made that the Commission issue its order determining just and reasonable rates.

At the hearing, August 13, 1918, petition was amended and request made for a single trip cash fare of seven cents, coupon tickets at the rate of four for twenty-five cents, children's fares at five cents and school children's tickets at two and one-half cents. In justification of the proposed changes petitioner alleges that the fares now in effect are too low for the service performed and that its revenues are insufficient to meet operating expenses, taxes, depreciation and a return upon investment.

The company was incorporated July 28, 1903, and on October 1, 1904 authorized an issue of first mortgage thirty-year five per cent bonds having a par value of \$500,000. Of this amount \$211,000. was issued. The company has since reacquired and cancelled \$35,000. of the bonds through appropriation of income, leaving a bonded indebtedness of \$176,000. as of December 31, 1917. On the same date it had a floating debt of \$20,000., upon which it pays interest at the rate of seven per cent, and owes its principal stockholder \$24,280.00, upon which no interest is being charged. The annual report of December 31, 1917 shows an investment in road and equipment of \$607,044.53.

In May, 1918, applicant voluntarily readjusted its investment and equipment accounts, reducing the total to \$231,950.00, as per the following statement:

	<u>Before Adjustment</u>	<u>After Adjustment</u>
Track and Overhead	\$ 221,000.00	\$ 110,000.00
Electric Equipment	30,000.00	30,000.00
Power House	4,000.00	4,000.00
Car House	3,344.53	4,000.00
Rolling Stock	45,000.00	45,000.00
Work Equipment	3,000.00	3,000.00
Furniture and Fixtures	700.00	950.00
Franchise and Rights	300,000.00	35,000.00
	<u>\$ 607,044.53</u>	<u>\$ 231,950.00</u>

This valuation was made by the General Manager upon instructions from the President of the Company and is intended to represent a conservative and just amount. Valuation of the operating property of a common carrier such as this is essential in arriving at just and reasonable rates under normal conditions, but since this proceeding deals with an emergency situation the value of the investment or the property is not controlling, therefore I deem it unnecessary to discuss the subject further. The adjustment in rates now being considered is purely to meet a temporary emergency due to war prices and not to provide dividends

for stockholders.

Prior to June 30, 1915 this company had a valuable contract for the purchase of fuel oil, which oil it sold to the public at a considerable profit, taking the earnings into its general accounts under the heading of non-operating income: this made a favorable showing in gross income during the years 1912-13-14 and 15. However, during this same period of time the operating income from railway activities was not sufficient to meet operating expenses, taxes and interest on funded and unfunded debts, and were it not for the oil contract operations would have resulted in a continual loss during the past seven years.

Applicant showed by testimony of witnesses and by exhibits that the expense of operation has largely increased during the past two years. It will be unnecessary to enter into a discussion of these increases, for they are common to all public utilities and have been referred to in more or less detail in decisions issued in connection with other transportation companies operating under similar circumstances and conditions. However, it might be well to set forth the following increases in wages of employees, comparing 1917 with 1918:

Shop men	-	-	34%
Construction Laborers	-	-	61%
Power Plant	-	-	51 $\frac{1}{2}$ %
Conductors and Motormen	-	-	32%
General Office Employees	-	-	27 $\frac{1}{2}$ %

The company pays no salaries to its president and vice-president and only a nominal salary to its secretary-treasurer.

Prior to February 28, 1915, applicant secured its fuel oil under contract for fifty cents per barrel. March 1, 1915 to February 28, 1918 it had a contract under which the oil was purchased at eighty-three cents per barrel. Since the expiration

of its last contract, on February 28, 1918, it has been forced to purchase oil in the open market, from month to month, at an average price of \$1.77 per barrel. This radical increase in the fuel oil, used to generate electricity, represents an average additional expense of approximately \$600.00 per month. However, there may be some reduction in the cost of power when certain transformer machinery is received, making it possible to purchase electricity from a power company, but this cannot be accomplished until the early part of next year, therefore will not enter into the adjustment now under consideration.

Under the terms of applicant's franchise, the City of Eureka receives three and one-half per cent of the gross income, approximating some \$3000.00 per annum, and the franchise carries a clause to the effect that the fare shall not be in excess of five cents. The City Attorney directed attention to the fare provisions of the franchise, but since this Commission has in a number of cases held that contract rates need not be maintained if such rates are unreasonable. (Dec. 2816, Town of Sausalito vs Marin Water & Power Company, Opinions and Orders of the Railroad Commission of California, Vol. 8, page 252).

The railway operating revenue was \$90,850.35 in 1914 and only \$79,534.15 in 1917. From a statement presented covering the first six months of 1918 better results are shown and the operating revenue will no doubt exceed the 1914 figures. This recovery is accounted for by the revival of the lumber and ship building industries at Eureka.

Applicant has nine cars in operation, six one-man and three two-man cars. The use of one-man equipment was inaugurated in 1915 and has resulted in a saving in operating expenses.

During a number of years past necessary repair work has

been deferred on equipment, ways and structures, which now demand attention. Applicant estimates an early expenditure of \$37,500.00 for power equipment, track switches, air brake and car materials and street work, part of which, however, is chargeable to capital account.

The testimony and exhibits conclusively show that earnings have not been sufficient in the past to pay operating expenses, taxes, interest on funded and unfunded debts, to say nothing of dividends to stockholders and the setting aside of a depreciation fund. The accrued debit balance on December 31, 1917 was \$51,841.19.

This is an emergency situation, as heretofore stated, created by the increased costs of all commodities and labor by reason of the war, and therefore the relief hereby granted is based entirely upon present day conditions of revenue and expenses.

By reason of the additional revenue now being secured from traffic created by the ship building plants and other war industries, I am of the opinion applicant has not justified an increase to a seven cent cash fare, with coupon tickets at four rides for twenty-five cents.

The present five cent fare is unjust, unreasonable and insufficient and I conclude, from a consideration of all the facts, that a six cent fare is just and reasonable under the

circumstances and conditions existing at this time. The six cent rate is expected to produce sufficient revenue to cover current depreciation.

I submit the following form of order:

ORDER

The Humboldt Transit Company having applied under Section 63 of the Public Utilities Act for permission to increase its passenger fares, and a public hearing having been held and the Railroad Commission being fully apprised in the premises, it is hereby found as a fact that the existing rate is unjust, unreasonable and insufficient and that the rate herein established is found to be just and reasonable. Basing this order on the findings of fact which precede,

IT IS HEREBY ORDERED that the Humboldt Transit Company be and the same is hereby authorized to establish within twenty (20) days from the date hereof a fare of six (6¢) within the City of Eureka.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of September 1918.

Edwin O. Edgerton
H. J. Leonard
W. G. Jones
Fran. L. DeWitt
Commissioners.